



STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.bpu.state.nj.us

ENERGY

IN THE MATTER OF THE PETITION OF)
PUBLIC SERVICE ELECTRIC AND GAS COMPANY'S)
REQUEST FOR DEFERRED ACCOUNTING) DECISION AND ORDER
AUTHORITY FOR THE ENERGY INFORMATION) ON MOTION FOR CERTAIN
AND CONTROL NETWORK PILOT PROGRAM) MODIFICATIONS TO THE DAY
AHEAD PRICING RATES FOR
CERTAIN CUSTOMERS
ASSOCIATED WITH THE
TIME OF USE PILOT
PROGRAM

DOCKET NO. EO04060395

(SERVICE LIST ATTACHED)

BY THE BOARD

BACKGROUND

On February 2, 2006, Public Service Electric and Gas Company ("PSE&G" or "the Company") filed a Motion with the Board of Public Utilities ("Board") to modify its tariff pages for the myPower Manager segment of its Energy Information and Control Network Pilot Program ("EICN") by introducing two adjustment factors to the day ahead hourly rates that were originally approved by the Board in this docket on August 1, 2005. The Division of the Ratepayer Advocate ("RPA") and the Staff of the Board of Public Utilities ("Board Staff" or "Staff") opposed the Company's motion and separately provided the Board with their respective positions. In recognition that this is a pilot program, rather than fully disposing of the motion at the Board's April 12, 2006 Agenda meeting, the Board issued an oral decision conditionally adopting Staff's recommendations, but expressing a preference for Staff to continue working with the Company

¹ Commissioner Christine V. Bator recused herself on this matter due to a potential conflict of interest.

and the RPA (collectively, "the parties") to gain consensus on an appropriate modification of the myPower Manager segment for further consideration by the Board. Subsequently, after further discussions, the parties agreed on an appropriate modification. The Board considered the consensus modification at its April 26, 2006 Agenda Meeting. This Order will address the modification.

PROCEDURAL HISTORY

By letter dated June 1, 2004, PSE&G requested that the Board authorize approval of, and deferred accounting treatment for, a proposed pilot program that would study the benefits of employing new technology in several areas of its customer operations and delivery service. The stated purpose of the pilot proposal was to create opportunities to derive alternative ways for managing energy usage.

The Company's original pilot proposal, entitled the Energy Information and Control Network ("EICN") contained five separate program segments to be offered concurrently to residential and small commercial customers. Each program segment included a combination of interval metering equipment and other new technologies that would allow greater customer control over energy management and household decision-making related to energy use. Each program segment was to run approximately 12 to 18 months and was to be evaluated thereafter, to determine whether its continuation and possible expansion would be beneficial to the customers and the Company. Customer participation in the pilot would be strictly voluntary.

The estimated cost for the five program segments totaled approximately \$4.6 million. By letter dated July 15, 2004, the Company withdrew its request for approval of two of the five segments of the original EICN proposal: the service collar segment and the prepayment segment. The withdrawals of these two segments reduced the estimated cost of the EICN pilot proposal to approximately \$3.77 million. The three remaining program segments for which approval and deferred accounting were sought were:

- (1) a Time of Use ("TOU") pricing program;
- (2) a load management program; and
- (3) a full technology demand response program.

On August 24, 2004, the Board issued an Order in this docket approving the three program segments of PSE&G's proposed EICN and authorizing deferred accounting treatment for the actual incremental costs associated with the development of each of the three program segments. Additionally, the Board directed that implementation of the program segments would be subject to prior Board review and approval of the TOU rates and tariffs associated with the program. The Board further directed the Company to work with Board Staff and the RPA on any other changes or modifications that might be necessary to the EICN pilot program.

Pursuant to the August 24, 2004 Order, on November 12, 2004, PSE&G filed for approval of tariff sheets and supporting documentation associated with the EICN. At this point, the EICN became known as the PSE&G "myPower" pilot programs and were designated as follows:

- (1) Time Of Use/Critical Peak Pricing Education Only (TOU/CPP) became known as myPower Sense;
- (2) The load management Day-Ahead Hourly Pricing (DAP) program became known as myPower Manager; and
- (3) The technology program, TOU/CPP Technology Enabled, became known as myPower Connection.

On March 18, 2005 PSE&G filed proposed enhancements to its current air conditioning cycling program through another segment of the myPower pilot program known as myPower Link. Additionally, as a result of discussions with Staff and the RPA, on July 21, 2005, the Company modified its original tariff filing and submitted an alternative, less complex TOU/CPP rate structure and tariff for the Board's review and approval.

On August 1, 2005, the Board approved the modified PSE&G Time Of Use (TOU) rate (myPower Sense and myPower Connection), the Day Ahead Pricing (DAP) BGS rate structure (myPower Manager), and the Residential Service Pilot (RSP) rate schedule.

On September 29, 2005, the Company notified Board Staff and the RPA concerning a potential price exposure for those customers that enroll in the myPower Manager segment. Essentially, because of the high level of PJM hourly energy pricing, especially in the summer peak times, compared to the BGS Auction price, PSE&G realized that participants in the myPower Manager pilot would see an increase in their monthly bills regardless of whether they shifted their usage to the off-peak, and therefore the purposes of the program would clearly be thwarted. Additionally, customers in the myPower Manager pilot would further be harmed because the Company includes the recovery of generation and transmission obligation costs through an arbitrary flat 10 cents per kwh adder to all summer weekday afternoon hourly energy rates between 1pm and 6 pm. Consequently, customers volunteering to participate in this voluntary program intended to reward them for curbing their energy usage during peak times would in fact likely pay more.

To address this problem, on October 13, 2005, the Company circulated to BPU Staff and the Ratepayer Advocate a document containing various pricing options for the myPower Manager Day Ahead Pricing segment. Despite several conferences between the Staff, the RPA and the Company, the three parties could not agree on an acceptable modification to the myPower Manager segment.

On February 2, 2006, the Company filed a Motion to modify its tariff pages for the myPower Manager segment by introducing two adjustment factors to the day ahead hourly rates that were originally approved on August 1, 2005. Subsequently, the RPA filed its position in opposition. The RPA recommended that the myPower Manager customers be transferred to the myPower Connection segment.

To date, PSE&G has completed meter installations for 218 myPower Connection customers and 209 installations for the myPower Manager segment. The total target number of customers necessary to complete the myPower Connection segment is 400. However, due to the uncertainty regarding the pending Motion, PSE&G did not recruit additional myPower Connection (or Manager) customers.

At the Board's April 12, 2006 Agenda meeting the Board determined that the myPower Manager segment should be discontinued and conditionally approved Staff's recommendation that the myPower Manager customers be transferred to the myPower Link air conditioning cycling program. However, the Board directed Staff to follow up with the parties and attempt to build consensus as to an appropriate resolution of this problem. Subsequently, the parties agreed that the RPA's recommendation would be the most appropriate. Accordingly, on April 18, 2006 PSE&G filed a request to allow it to transfer the myPower Manager customers to the myPower Connection segment rather than the myPower Link segment.

DISCUSSION AND FINDINGS

As discussed in prior Orders in this docket, the Board continues to believe that cost-effective opportunities should be provided to allow customers to positively impact the environment and to

save money through wise energy usage. The myPower pilot programs addressed herein provide incentives to reduce energy consumption during peak demand and thereby decrease emissions associated with peak electricity generation. Shifting energy consumption away from critical peak periods can reduce the price of electricity, decrease transmission congestion and thereby improve system reliability. In theory, when customers are given the tools to manage their energy use, monthly electricity bills will be lowered, air quality is improved, overall service reliability is greater and the need to construct more transmission and distribution lines is lessened. This pilot should test these theories.

By expeditiously rendering a decision concerning the recently identified problem with proceeding with the myPower Manager segment of the pilot, the Board seeks to ensure that the entire pilot program begins this summer, beginning June 1, 2006, with the planned fully installed complement of approximately 400 customers for the myPower Connection segment.

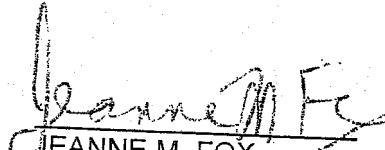
The customers that volunteered for the myPower Manager program agreed to sign-up for a time varying electric supply pricing program. As asserted by both the Company and the RPA, offering myPower Connection to these customers allows for the provision of a program that is similar to what was marketed to them. Moreover, the Company has indicated that the technology deployed in customers' homes for the myPower Manager provides the full functionality that is required for myPower Connection. Finally, it should also be noted that with the Summer of 2006 fast approaching, transferring the myPower Manager customers to myPower Connection avoids the cost to recruit additional customers and install technology for the additional myPower Connection customers to achieve the 400 customer enrollment target.

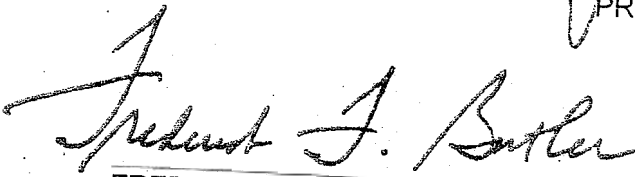
The Board appreciates the efforts of the parties to come to an amicable resolution to the problems discussed herein. In light of the foregoing, the Board HEREBY MODIFIES its April 12, 2006 oral decision and HEREBY ORDERS that the myPower Manager pilot be discontinued and all myPower Manager customers be transferred to the myPower Connection pilot.


The Board emphasizes that adequate consumer education is necessary for the success of this pilot program. Without such support, consumers will not realize the full benefit of the advanced technology deployed in the pilot. To this end, the Board HEREBY ORDERS the Company to continue to keep Staff and the RPA informed of the steps that the Company is taking to educate the pilot's participants. The Board HEREBY DIRECTS the Company to continue to provide quarterly updates on the status and progress of the EICN program.

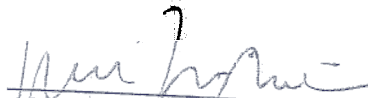
DATED: 4/27/06

BOARD OF PUBLIC UTILITIES
BY:

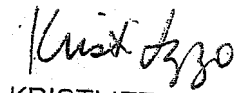

JEANNE M. FOX
PRESIDENT


FREDERICK F. BUTLER
COMMISSIONER

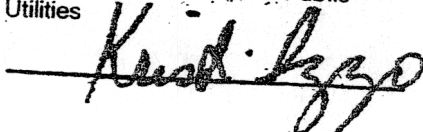

CONNIE O. HUGHES
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER

ATTEST:


KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within
document is a true copy of the original
in the files of the Board of Public
Utilities



BPU STAFF

Alice Balor
Division of Energy
Board of Public Utilities
Two Gateway Center
Newark, New Jersey 07102
PHONE: (973) 648-2448
FAX: (973) 648-2467
Alice.Balor@bpu.state.nj.us

Michael McPadden
Division of Energy
Board of Public Utilities
Two Gateway Center
Newark, New Jersey 07102
PHONE: (973) 648-7466
FAX: (973) 648-2467
Michael.mcpadden@bpu.state.nj.us

Linda Nowicki
Division of Energy
Board of Public Utilities
44 So. Clinton Avenue, 7th Flr.
P.O. Box 350
Trenton, NJ 08625
PHONE: (609) 777-3314
FAX: (609) 777-3330
linda.nowicki@bpu.state.nj.us

Alex Stern
Legal Specialist
Board of Public Utilities
Two Gateway Center
Newark, New Jersey 07102
PHONE: (973) 648-3089
FAX:
alex.stern@bpu.state.nj.us

Naji Uguzi
Division of Energy
Board of Public Utilities
Two Gateway Center
Newark, New Jersey 07102
PHONE: (973) 648-2219
FAX: (973) 648-2467
Naji.uguzi@bpu.state.nj.us

Nashia Wyner, Director
Division of Energy
Board of Public Utilities
Two Gateway Center
Newark, New Jersey 07102
PHONE: (973) 648-3621
FAX: (973) 648-2467
nashia.wyner@bpu.state.nj.us

Peter Yochum
Division of Energy
Board of Public Utilities
Two Gateway Center
Newark, New Jersey 07102
PHONE: (973) 648-6913
FAX: (973) 648-7420
peter.yochum@bpu.state.nj.us

RATEPAYER ADVOCATE

Satna, M. Singh, Director
Division of Ratepayer Advocate
31 Clinton Street, 11th Floor
P.O. Box 46005
Newark, New Jersey 07102
PHONE: (973) 648-2690
FAX: (973) 624-1047
ssingh@bpu.state.nj.us

Paul Finnegan, Esq.
Division of Ratepayer Advocate
31 Clinton Street, 11th Floor
P.O. Box 46005
Newark, New Jersey 07102
PHONE: (973) 648-2690
FAX: (973) 624-1047
pfinnegan@bpu.state.nj.us

Christine Jacore
Division of Ratepayer Advocate
31 Clinton Street, 11th Floor
P.O. Box 46005
Newark, New Jersey 07102
PHONE: (973) 648-7959
FAX: (973) 624-1047
cjacore@bpu.state.nj.us

Sarah Steindel, Esq.
Division of Ratepayer Advocate
31 Clinton Street, 11th Floor
P.O. Box 46005
Newark, New Jersey 07102
PHONE: (973) 648-2690
FAX: (973) 624-1047
ssteindel@bpu.state.nj.us

Ami Morita, Esq.
Division of Ratepayer Advocate
31 Clinton Street, 11th Floor
P.O. Box 46005
Newark, New Jersey 07102
PHONE: (973) 648-2690
FAX: (973) 624-1047
amoriata@bpu.state.nj.us

DAG

Cristina Patel
Dept. of Law & Public Safety
124 Halsey Street
P.O. Box 45029
Newark, NJ 07101
PHONE: (973) 648-3762
FAX: (973) 648-3553
cristina.patel@dol.law.state.nj.us

Anne Marie Shatto
Dept. of Law & Public Safety
124 Halsey Street
P.O. Box 45029
Newark, NJ 07101
PHONE: (973) 648-3762
FAX: (973) 648-2555
ashatto@dol.law.state.nj.us

ADVOCATE CONSULTANT

John Stutz
Telus Institute
11 Arlington Street
Boston, MA 02116-3411
PHONE: (617) 266-5400
FAX: (617) 266-4303
jstutz@telus.org

Amy Roschelle
Synopsis Energy
22 Pearl Street
Cambridge, MA 02139
PHONE: (617) 628-8988
FAX:
roschelle@synopsis-energy.com

PSE&G

Francis E. Delany, Esq.
VP & Corporate Rate Counsel
Public Service Electric & Gas Co.
80 Park Plaza, T8C
P.O. Box 370
Newark, NJ 07101
Phone # (973) 430-6155
Fax # (973) 648-0838
francis.delany@ps&g.com

Andrew K. Dambin, Esq.
Assistant Corporate Rate Counsel
Public Service Electric & Gas Co.
80 Park Plaza, T8C
P.O. Box 370
Newark, NJ 07101
Phone # (973) 430-6145
Fax # (973) 648-0838
andrew.dambin@ps&g.com